

# SENATE BILL REPORT

## HB 1430

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As Reported By Senate Committee On:  
Economic Development, Trade & Management, March 20, 2007

**Title:** An act relating to financing community and economic development.

**Brief Description:** Clarifying how cities, towns, counties, public corporations, and port districts may participate in the federal new markets tax credit program.

**Sponsors:** Representatives Pettigrew, Haler, Kenney, Chase, P. Sullivan and Linville.

**Brief History:** Passed House: 3/07/07, 96-0.

**Committee Activity:** Economic Development, Trade & Management: 3/16/07, 3/20/07 [DP].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

**Majority Report:** Do pass.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

**Staff:** Jacob White (786-7448)

**Background:** The federal Community Renewal Tax Relief Act of 2000 authorized tax credits for up to \$15 billion in investments under the U.S. Treasury Department's New Markets Tax Credits (NMTC) Program to stimulate capital investment in low-income and economically distressed areas through Community Development Entities (CDEs).

A CDE is a domestic corporation or partnership, created or controlled by a public, private, or nonprofit entity, that has a primary mission of serving and providing investment capital in low-income communities. A CDE must maintain accountability to residents of low-income communities through its representation on a governing or an advisory board, and must be certified as a CDE by the U.S. Treasury.

Certified CDEs are eligible to compete nationally for an allocation of NMTCs, and, if successful, may offer taxpayers who make qualified equity investments in the CDE a federal income tax credit equal to 39 percent of the cost of the investment. In turn, the CDE must use the investment for community development projects in low-income or economically distressed areas. Because the investors benefit from the tax credits, they provide low cost financing to local project developers, including grants and below-market-rate loans.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

For calendar year 2007, the federal government will allocate tax credits for \$3.9 billion in investments to CDEs nationwide.

**Summary of Bill:** Cities, towns, counties, public corporations, and port districts are authorized to create partnerships and limited liability companies, and enter into public or private agreements, to implement the federal New Markets Tax Credit Program.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This will help local governments, and encourages development in low-income areas. This is a simple bill, there is no state funding.

**Persons Testifying:** PRO: David Foster, City of Seattle.